

## Cowry Financial Markets Review, Outlook & Recommended Stocks

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### Segment Outlook:

#### ECONOMY: Sectorial Distribution of Value Added Tax for Q4 2021...

Cowry Research notes that the recovering of the economic in 2021 from the pandemic have a huge impact on the increased VAT income collected in the year 2021, the Federal Government intention to generate income from non oil activities which bring about increase in VAT rate from 5% to 7.5% which take effect since Feb. 2020 is really working considering the income generated from VAT during the period. We think that more income will be generated from the same source in 2022 due to the full recovery of economic activities...

#### FOREX MARKET: Naira Depreciate against USD at I&E FX Window on Decrease Supply...

In the new week, we expect some level of pressure on the Naira against USD as pre-election activities garner momentum even as the ruling APC holds its national convention...

#### MONEY MARKET: NIBOR Moderates for Most Tenor Buckets on Financial Liquidity Boost...

T-bills market was quiet in the just concluded week as there was no maturing T-Bills which led to liquidity strain. However, we expect the pressure to ease as there will be OMO of N50.0 billion and NTB worth N141.25 billion would be maturing in the coming week. Hence, we expect interest rates to moderate in the coming week...

#### BOND MARKET: FGN Bond Yields Rise for Most Maturities as FGN Eurobond Touches 10%...

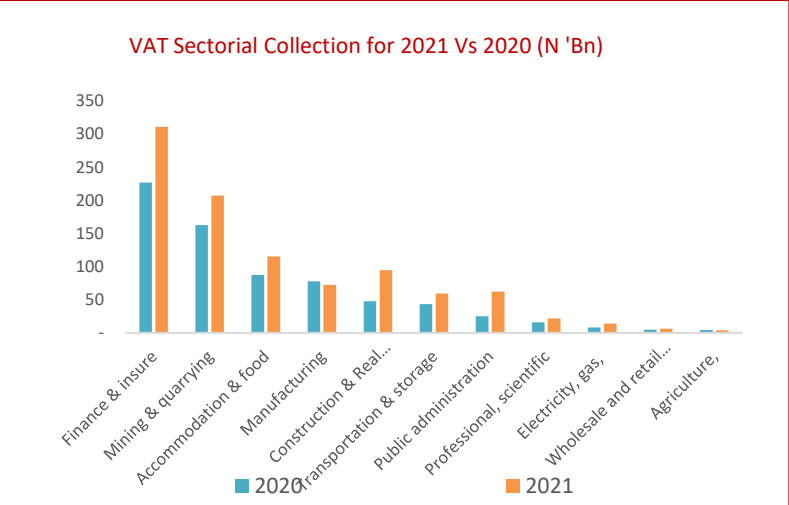
In the new week, we expect to see bearish activity in the FGN bond space as investors look the way of high-yielding Eurobonds which crossed 10% level...

#### EQUITIES MARKET: Shares of RTBRISCOE, UPDC & GTCO Drive Down NGX Index by 0.67%...

In the just concluded week, the local stock market sustained its profit taking activity. The NGX All Share Index decreased by 0.45% week on week to close at 46,631.46 points. ...

ECONOMY: Nigeria’s 2021 VAT Revenue Boosted by 35.38% on Manufacturing, Professional Services...

Recently released data from the National Bureau of Statistics (NBS) in relation to sectorial distribution of Value Added Tax showed that the aggregate Value Added Tax (VAT) generated for Q4 2021 was N563.72 billion which was an improvement of 12.63% q-o-q compared to N500.49 billion in Q3 2021. The total VAT generated for 2021 stood at N2,072.85 billion, an increase of 35.38% compared to N1,531.17 billion in 2020. The breakdown of the VAT income showed improved collections from Financial Institutions & Insurance which increased y-o-y by 149.9% to N61.91 billion from N24.76 followed by Mining and quarrying sectors which rose by 98.94% from N47.55 billion to N94.59 billion.



Source: National Bureau of Statistics, Cowry Research

Monthly Global Oil Market Watch				
	Feb-22	Jan-22	%age Δ	2021 Avg
World Oil Demand mb/d	101.38	99.30	2.08%	97.05
World Oil Supply mb/d	99.76	99.05	0.71%	94.43
World Rig Count	1,623	1,566	0.57 %	1,361

Source: National Bureau of Statistics, US EIA, Cowry Research

While VAT income from Accommodation and food service activities ballooned y-o-y by 69% from N8.3 billion to N14.04 billion, VAT from the Manufacturing sector jumped y-o-y by 37.03% to N310.59 billion from N226.66 billion. Collections from Construction and Real estate activities increased by 36.94%, Transportation & storage rose by 35.74% from N15.55 billion in 2020 to N43.51 billion and Professional, scientific, technical activities and Telecoms increase by 27.26% from N162.32 billion to N206.56 billion. We observed that VAT income from Wholesale and retail trade, repair of motor vehicles and motorcycles (Commercial Trading) and Agriculture, forestry and fishing (Agriculture) deteriorated in 2021 falling by 67.3% and 17.67% respectively y-o-y. We also noticed that the major contributors to the total VAT income collected in 2021 were also the same in 2020. Manufacturing contributed 15% in both years, Professional services contributed 10% in 2021 and 11% in 2020, Public Administration contributed 6% in both year 2011 and 2020. However, Mining and quarrying contribution to the VAT income in 2021 was 5% as against the 3% contributed in 2020, whereas, Commercial Trading contributed 5% in 2020 compared to 3% in 2021. On the flip side, Electricity, gas, steam and Agriculture, forestry and fishing were the least contributors to the VAT income in the year under review.

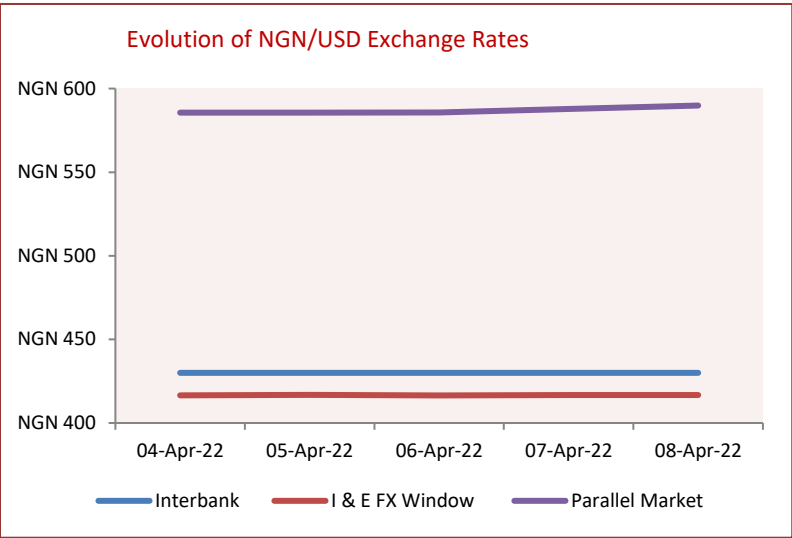


Source: National Bureau of Statistics, Cowry Research

Cowry Research notes that the economic recovery in 2021 from the global pandemic had a huge impact on the increased VAT income collected in 2021. We feel that the Federal Government’s efforts to boost non oil revenue (as it increased VAT rate from 5% to 7.5% effective February 2020) yielded positive outcomes in the review period. We also expect improved non-oil revenue for 2022 due to the full resumption of economic activities

FOREX MARKET: Naira Loses against USD at I&E FX Window on Demand Pressure...

In the just concluded week, the Naira/USD exchange rate depreciated against the greenback by 0.0% to N416.67/USD at the I&E FX Window as Bonny light price dropped to USD100 per barrel. Furthermore, Naira lost further against the greenback at the Parallel market by 0.49% to close at N589.85/USD. At the Interbank Foreign Exchange market, NGN/USD closed flat at N430.00/USD amid CBN’s weekly injections of USD210 million: USD100 million was allocated to Wholesale

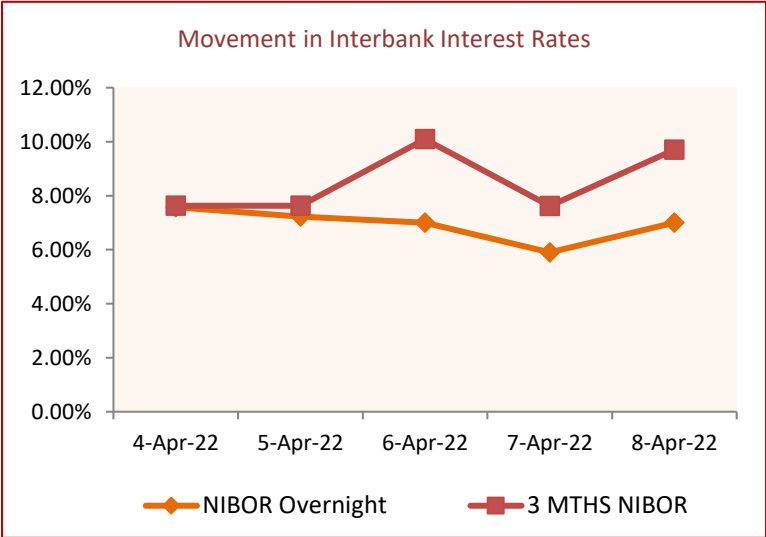


Secondary Market Intervention Sales (SMIS), USD55 million was allocated to Small and Medium Scale Enterprises and USD55 million was sold for invisibles. Meanwhile, the Naira/USD exchange rate appreciated for most of the foreign exchange forward contracts. Specifically, 1 month, 3 months and 6 months contracts gained 0.03%, 0.01% and 0.10% to close at N418/USD, N424.02/USD and N432.61/USD respectively. However, 2 months and 12 months contracts lost 0.04% and 0.15% to close at N421.14/USD and N448.85/USD respectively.

In the new week, we expect some level of pressure on the Naira against USD due anticipated pressure on foreign exchange amid electioneering activity coupled with weak petrodollar earnings.

MONEY MARKET: NIBOR Rises for All Tenor Buckets on Financial Liquidity Strain...

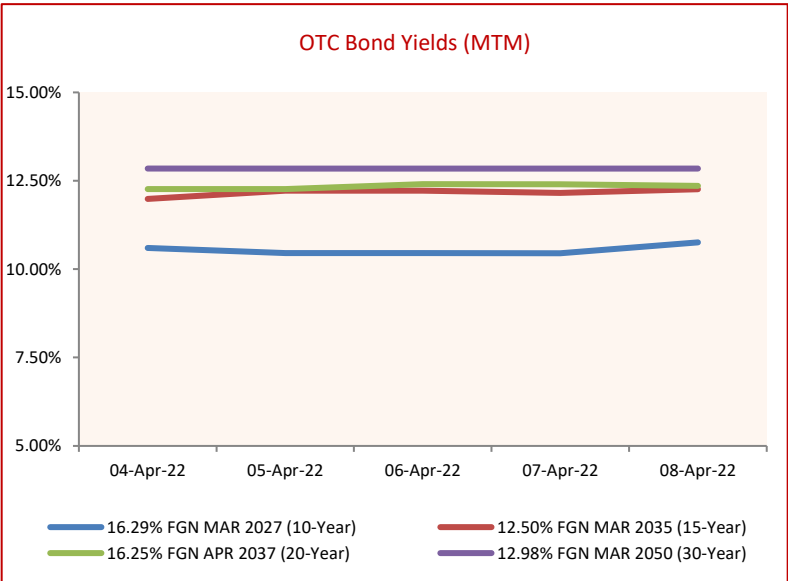
In the just concluded week, there was muted activity in the treasury bills primary market. However in the secondary market, investors liquidated T-bills holdings as we saw NITTY rise for all maturities tracked. Specifically, NITTY rose for 1 month, 3 months, 6 months and 12 months maturities to 2.36% (from 2.33%), 2.97% (from 2.71%), 3.54% (from 3.22%) and 4.6% (from 4.24%) respectively. Meanwhile, in the OMO space there was neither maturity nor refinancing hence, reducing financial system liquidity which drove NIBOR higher for most tenor buckets. 1 month, 3 months and 6 Months tenor buckets rose to 9.70% (from 7.53%), 10.38% (from 7.68%) and 10.60% (from 8.19%) respectively. However, Overnight funds fell to 7.00% (from 7.73%).



T-bills market was quiet in the just concluded week as there was no maturing T-Bills which led to liquidity strain. However, we expect the pressure to ease as there will be OMO of N50.0 billion and NTB worth N141.25 billion would be maturing in the coming week. Hence, we expect interest rates to moderate in the coming week.

**BOND MARKET: FGN Eurobond Yields Rise and Sell Pressure**

In the just concluded week, there was no auction by the DMO. Traders were bearish on two of the maturities tracked except for the 30-year 12.98% FGN MAR 2050 instrument which appreciated by N1.25 while its yield declined to 12.60% (from 12.80%). The 10-year, 16.29% FGN MAR 2027 paper, the 15-year 12.50% FGN MAR 2035 bond and the 20-year 16.25% FGN MAR 2037 debt depreciated by N0.53, N0.08 and N0.73

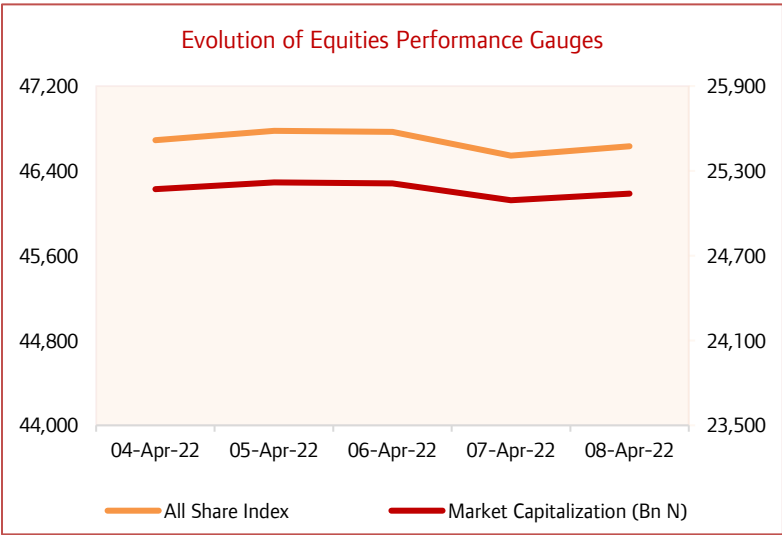


respectively; their corresponding yields increased to 10.26% (from 10.16%), 11.79% (from 11.78%) and 12.05% (from 11.97%) respectively. Elsewhere, the value of FGN Eurobonds traded at the international capital market depreciated for all maturities tracked on renewed bearish sentiment. The 10-year, 6.375% JUL 12, 2023 bond, 20-year, 7.69% FEB 23, 2038 paper and the 30-year, 7.62% NOV 28, 2047 debt lost USD0.62, USD3.10 and N3.68 respectively; their corresponding yields rose to 5.29% (from 4.82%), 9.73% (from 9.30%) and 9.76% (from 9.30%) respectively.

In the new week, we expect to see bearish activity in the FGN bond space as investors look the way of high-yielding Eurobonds which crossed 10% level.

**EQUITIES MARKET: The NGX All Share Index closed at 46,631.46 points, reducing the weekly loss to 0.45%,**

In the just concluded week, the local stock market sustained its profit taking activity. The NGX All Share Index decreased by 0.45% week on week to close at 46,631.46 points. However, the year-to-date gain climbed to 9.17%. The exchange also recorded higher number of gainers (28) as against (16) losers. Particularly, share prices of tickers such as ARDOVA, MEYER, JAIZBANK, FCMB and RTBRISCOE gained by 9.87%, 9.71%, 7.81%, 7.17%, and 7.14% respectively. On the other



hand, most sector gauges closed in negative territory amid profit taking activity. The NGX Insurance index, NGX Consumer Goods index, the NGX Industrial Goods and NGX NSE–30 index decreased by 0.21%, 0.36%, 0.42%, and 0.43% respectively to close at 184.65 points, 552.18 points, 2106.19 points, and 1,776.45 points respectively. Meanwhile, market activity remained weak as volume and value of stocks traded plunged by 39.80% and 52.07% to 1.13 billion units and N10.81 billion respectively. However, deals rose by 6.12% to 23,471.

In the new week, we expect equities to trade sideways as investors stay on the sidelines in anticipation of q1 2022 corporate financial results.



Top Ten Gainers				Bottom Ten Losers			
Symbol	Apr 8 2022	Apr 1 2022	% Change	Symbol	Apr 8 2022	Apr 1 2022	% Change
STERLNBANK	1.47	0.39	277%	NPFMCRFBK	2.09	2.49	-16%
HONYFLOUR	3.46	1.19	191%	UACN	10.10	11.70	-14%
MEYER	1.13	0.72	57%	ROYALEX [MRF]	0.95	1.09	-13%
REGALINS	0.37	0.31	19%	CWG [BLS]	0.98	1.08	-9%
CONOIL	26.00	22.25	17%	CORNERST	0.60	0.66	-9%
NAHCO	5.00	4.29	17%	WAPIC [MRF]	0.40	0.44	-9%
LIVESTOCK	1.59	1.42	12%	NASCON	11.75	12.90	-9%
REDSTAREX	3.00	2.70	11%	LEARNAFRCA	1.73	1.88	-8%
UPDC [BLS]	0.84	0.76	11%	WAPCO	22.00	23.60	-7%
ARDOVA [MRF]	12.80	11.65	10%	TRANSCOHOT [BLS]	4.95	5.31	-7%



Weekly Stock Recommendations as at Friday, April 08, 2022

Stock	Last Qtr Result	Adjusted Forecast FY PAT	Current EPS	Forecast EPS	BV/S	P/B Ratio	PE Ratio	52 Weeks' High	52 Weeks' Low	Current Price	FY Price Target	Short term Stop Loss	Short term Take Profit	Upside Potential (%)	Recommendation
CAP	Q3 2021	818.52	1.55	1.04	4.95	3.64	11.60	27.50	15.40	18.00	25.00	15.30	20.70	38.89	Buy
Fidelity Bank	Q2 2021	19,180.00	0.92	0.66	9.44	0.38	3.87	3.99	1.40	3.56	3.28	3.03	4.09	-7.73	Hold
May & Baker	Q3 2021	1,176.57	0.56	0.68	3.93	1.09	7.69	5.18	1.79	4.30	6.09	3.66	4.95	41.63	Buy
UBA	Q3 2021	132,489.53	3.33	3.87	20.32	0.39	2.36	9.25	4.40	7.85	9.50	6.67	9.03	21.02	Buy
WAPCO	Q3 2021	48,473.52	1.91	3.01	22.33	0.99	11.49	27.00	8.95	22.00	30.00	18.70	25.30	36.36	Buy
Zenith Bank	Q3 2021	203,419.07	7.34	6.48	35.56	0.65	3.13	29.52	10.70	23.00	32.14	19.55	26.45	39.72	Buy

FGN Eurobonds Trading Above 8% Yield as at Friday, April 08, 2022

FGN Eurobonds	Issue Date	TTM (years)	25-March-22 Price (N)	Weekly Naira Δ	25-March-22 Yield	Weekly PPT Δ
7.143 FEB 23, 2030	23-Feb-18	7.88	92.50	-0.79	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.79	98.80	-1.15	8.8%	0.00
7.875 16-FEB-2032	16-Feb-17	9.87	93.01	-1.01	8.8%	0.00
7.375 SEP 28, 2033	28-Sep-21	11.48	88.71	-1.31	8.8%	0.00
7.696 FEB 23, 2038	23-Feb-18	15.89	84.66	-1.50	9.4%	0.00
7.625 NOV 28, 2047	28-Nov-17	25.66	80.58	-1.57	9.5%	0.00
9.248 JAN 21, 2049	21-Nov-18	26.81	92.66	-1.49	9.9%	0.00
8.25 SEP 28, 2051	28-Sep-21	29.49	84.43	-1.72	9.7%	0.00
7.143 FEB 23, 2030	23-Feb-18	7.88	92.50	-0.79	8.3%	0.00
8.747 JAN 21, 2031	21-Nov-18	8.79	98.80	-1.15	8.8%	0.00

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